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ARTICLE HIRING

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DAVE WHEELER FOR HBR

Many firms talk about talent management, but few deal systematically with a basic fact: [average annual turnover](#) in sales is 25 to 30%. This means that the equivalent of the entire sales organization must be hired and trained every four years or so, and that's expensive.

Consider these stats. Direct replacement costs for a telesales employee can [range](#) from \$75,000 to \$90,000, while other sales positions can cost a company as much as \$300,000. Moreover, these figures don't reflect the lost sales while a replacement is found and trained. In sectors like medical

devices, big capital equipment, and many professional services, including these opportunity costs can push turnover cost to \$1 million or more per event.

The challenge is compounded by the fact that there is no easily identified resource pool for sales positions. According to Howard Stevens in [Achieve Sales Excellence](#), more than 50% of U.S. college graduates, regardless of their majors, are likely to work in sales. But of the over 4,000 colleges in this country, less than 100 have sales programs or even sales courses. And, even if companies are lucky enough to find qualified grads, the increased data and analytical tasks facing many sales forces mean that productivity ramp-up times have increased. Each hire is now a bigger sunk cost for a longer time.

Bottom line: companies typically spend more on hiring in sales than they do anywhere else in the firm. So how do you improve the returns on this investment? Here are four places to start:

Hire for the task. In business, you hear so many opinions about what makes for a good salesperson. But most are a bland summary of the *Boy Scout Handbook*, with traits like extroversion, assertiveness, empathy, modesty, and an “achievement orientation.” These platitudes are often reflected in firms’ competency lists and are so broad that, at best, they simply remind us that people tend to do business with people they like (but not always and not as often as many sales trainers assume). At worst, these abstractions are irrelevant to the execution of business strategy, and they make hiring, in sales and other functions, a classic example of the cloning bias: managers use these slogans to hire in their own image.

Selling jobs vary greatly depending on the product or service sold, the customers a salesperson is responsible for, the relative importance of technical knowledge, and the people contacted during sales calls. A [review](#) of hundreds of studies about sales productivity finds that “[t]he results of this research have simply failed to identify behavioral predispositions or aptitudes that account for a large amount of variance in performance for salespeople. In addition, the results of this research are quite inconsistent and, in some cases, even contradictory.” Common stereotypes about a “good” salesperson (e.g., pleasing personality, hard-wired for sociability, and so on) obscure the realities you face.

Selling effectiveness is *not* a generalized trait. It’s a function of the *sales tasks*, which vary according to the market, your strategy, the stage of the business (i.e., startup or later stage), the customers targeted by your strategy, and buying processes at those customers. This is true even for firms in the same industry. Think about the difference between sales tasks at Nordstrom, where personalized service and advice are integral to strategy execution, and Costco, where low price and product availability make sales tasks less complex and variable.

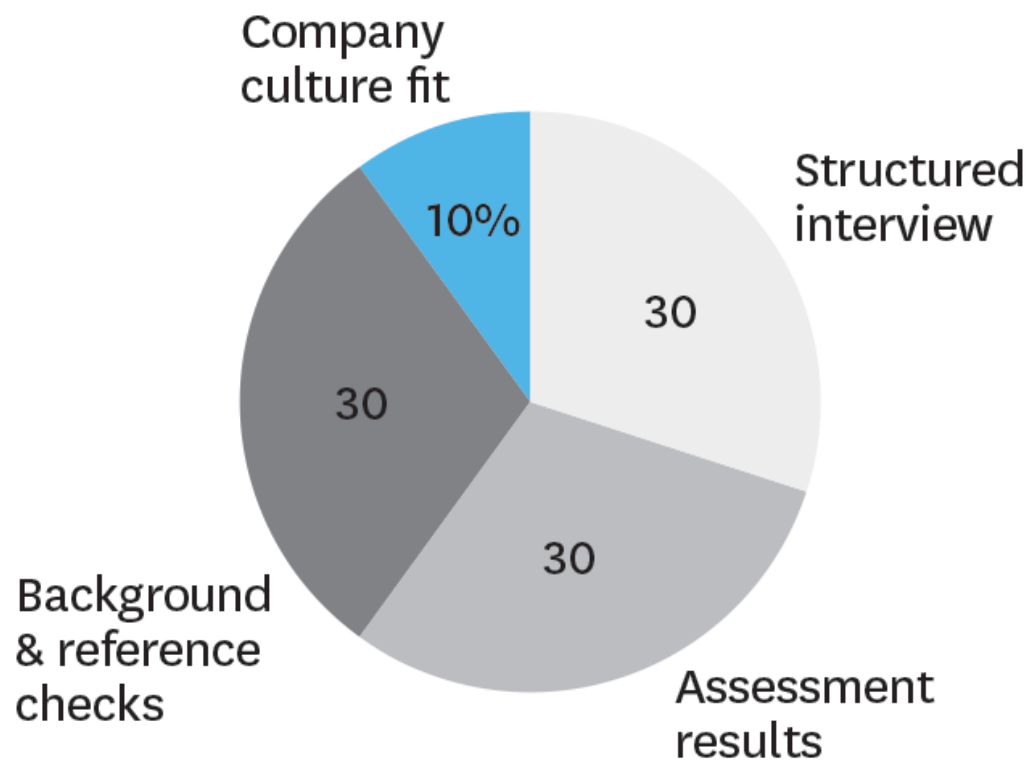
The first step in smart hiring and productivity is understanding the relevant sales tasks in your market and strategy and then reflecting those tasks in hiring criteria and a disciplined hiring process.

Focus on behaviors. Research based upon thousands of exit interviews shows that a primary cause of poor performance and turnover is poor job fit. People, especially salespeople with a variable pay component, become frustrated when they're hired for tasks that are a **poor fit** with their skills and preferences. Conversely, as the saying goes, "You hire your problems." Zappos CEO Tony Hsieh estimates that bad hires have cost his firm \$100 million. Famously, Zappos **will pay people** to leave voluntarily after a few months on the job.

The key is to focus on the behaviors implied by the sales tasks. In many firms, this means upgrading assessment skills. Managers are excessively confident about their ability to evaluate candidates via interviews. In reality, **studies indicate** a low correlation (generally, less than 25%) between interview predictions and job success, and some indicate that interview processes actually *hurt* in hiring decisions: the firm would have done better with blind selection procedures! The best results, by far, occur when those making hiring decisions can observe the potential hires' job behaviors and use a recruitment process based on a combination of factors, as illustrated in the following graphic:

How to Evaluate a Job Candidate for a Sales Position

Focus less on how a candidate fits into the company culture.



SOURCE GROWTHPLAY

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There are many ways to do this, including simulations, interviewing techniques, or (as at Zappos) providing an incentive for self-selection after recent hires experience the required behaviors. Especially in expensive sales-hiring situations, many organizations could emulate the practice used by investment banks and consulting firms when hiring MBAs: the summer job is, in effect, an extended observation by multiple people at the firm of the candidate's abilities before a full-time offer is extended.

Then, immerse reps in the tasks they will encounter in working with customers. At [HubSpot](#), which provides web-based inbound marketing services to businesses, Mark Roberge has sales hires spend a month in classroom-style training but also doing what their customers do: create a website from scratch and keep that site populated with relevant content. Roberge notes, "they experience the

actual pains and successes of our primary customers: professional marketers who need to generate leads online. As a result, our salespeople are able to connect on a far deeper level with our prospects and leads.”

Be clear about what you mean by relevant “experience.” Previous experience is the most common criterion used by sales managers in talent assessment. In one survey, over 50% of respondents cited “selling experience within the industry” as their key selection criterion, and another 33% cited “selling experience in [an] other industry.” Driving this view is a perceived trade-off between hiring for experience and spending money on training. But because selling effectiveness depends upon a company’s sales tasks, “experience” is an inherently multidimensional attribute. It may refer to experience with any (or any combination of) the following:

- A customer group: e.g., a banker or other financial services recruit hired by a software firm to call on financial firms; or, in health care, firms sell different products, but many sell to hospitals.
- A technology: an engineer or field-service tech hired to sell a category of equipment.
- Another part of the organization: a service rep moved to sales because internal cross-functional support is a key sales task and that rep “knows the people and the organization.”
- A geography or culture: a member of a given nationality or ethnic group who knows, and has credibility within, the norms of the relevant customer’s culture.
- Selling: an insurance agent or retail associate with experience in another sales context.

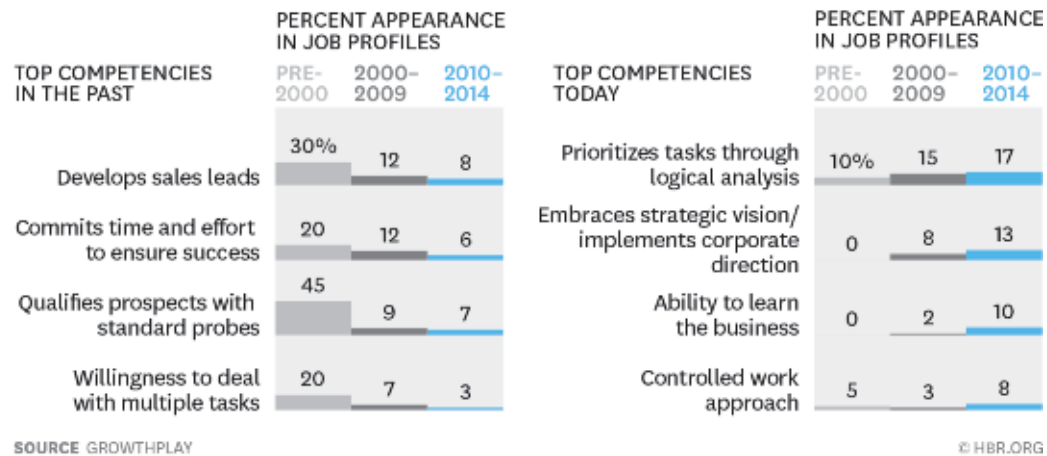
The relevance of each type varies with *your* sales tasks. So consider what type is, and is not (see below), relevant, and require the people doing sales hiring to clarify what they mean by experience.

On-going talent assessments. Markets have no responsibility to be kind to your firm’s strategy and sales approach. It is leadership’s responsibility to adapt to markets and develop the competencies required today, not yesterday.

As organizations confront new buying processes, required competencies are changing. The figure below, based on an extensive database of company sales profiles, indicates the changing nature of sales competencies at many firms. Competencies that, only a decade ago, were considered essential are now lower in priority.

Salespeople Require Different Competencies than They Did Two Decades Ago

Hiring managers are now looking for people who can analyze data, think strategically, and learn the business.



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Does this mean that developing leads, qualifying prospects, and adapting to different buyer motivations are no longer important? No. Rather, as one should expect in a competitive activity where success is ultimately measured by *relative* advantage, the focus of productivity improvement in sales is shifting. Yesterday's sales strengths have become today's minimum skill requirements.

This underscores the need for on-going talent assessments to stay in-touch with changing tasks and required behaviors. The good news is that the tools for doing such assessments, based on behavioral research findings, are more available and have more granularity and practicality for sales leaders. Conducting a skills inventory and determining the best fit for your sales tasks need not be the standard mix of folklore, various embedded biases by front-line managers, and the content-free platitudes about "selling" that populate many blogs. And it is increasingly necessary because companies must ultimately be worthy of real talent.

It's often said that many firms maintain their equipment better than they do their people. If so, you ultimately get what you don't maintain, especially in sales.

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